

UNDERSTANDING THE BUDGET PROCESS IN A TEXAS COUNTY

PRESENTATION SUMMARY



KENT REEVES | ERATH COUNTY | MAY 2025

BACKGROUND

The Texas Association of County Auditors desires to help each of you become the best you can be at fulfilling your responsibilities as a County Auditor. The task can be challenging, but there are many who have shared their successful strategies with others, providing helpful guidance.

Conferences offer crucial education and networking opportunities for your success. Initially, the material may be confusing, but it will become clearer over time.

Due to the complexity of the budget process, the varying sizes of counties and the experience levels of each County Auditor, it is challenging to cover everything within an hour. This summary will condense the information presented in a simplified format and hopefully be a useful guide for you in preparing your next budget.

Thank you for attending this year's conference. It is always a pleasure to meet those who are committed to making a positive impact on Texas County Government. Your role is critical for your County and the people you serve.

May this recap help in "Understanding the Budget Process in a Texas County"

Respectfully,

Kent Reeves

Erath County Auditor

UNDERSTANDING THE BUDGET PREPARATION PROCESS IN A TEXAS COUNTY

BASICS

- Most Texas Counties are Subchapter A Counties with a population < 225,000
- There are 230 of the 254 counties with populations less than 225,000
- In most of these counties the County Judge is the Budget Officer (see Subchapter C)
- The County Auditor assists the County Judge in prepare the Proposed and Adopted Budgets

PROPOSED BUDGET – III.003

- Prepared by the County Judge with the assistance of the County Auditor
- Contains detailed comparison of prior-year budget – we present three prior-year's budgets
- Filed by **August 15th** of each year (assuming September 30 year-end & Sub-chapter A)
- County Judge files the Proposed Budget with the County Clerk's office
- County Clerk makes the budget available to anyone who wants to review the contents
- Proposed Budget is posted on the county website
- There is no official action in court to approve the Proposed Budget or prior to filing it with the County Clerk

While not required, workshops and communication with Department Heads, Elected Officials, and other Key Personnel before the Judge files the Proposed Budget are **strongly recommended**.

Securing buy-in before filing the Proposed Budget fosters a team atmosphere and ensures consensus during adoption. To accomplish this, workshops are held while preparing the Proposed Budget and before the adoption process.

PROPOSED BUDGET CONTENTS – III.004

The Proposed Budget must contain a complete financial statement which the auditor typically prepares:

- Outstanding obligations of the county
- Cash on hand in each Accounting Fund of the county
- Funds (revenues) received from all sources in the prior year
- Funds available from all sources in the current year
- Estimated revenues that will be available to cover the expenses in the Proposed Budget
- Estimated tax rate to provide revenue sufficient to cover the expense in the Proposed Budget

PUBLIC HEARINGS – III.007

- Commissioners Court shall hold a public hearing on the Proposed Budget and anyone may attend
- The Commissioners Court shall hold the hearing no later than the 25th day it was filed with the County Clerk, but before the court adopts an ad valorem tax rate (property tax rate) for the year
- Public notices are given about the date, time and location of the hearing on the Proposed Budget
- Notices must be no earlier than 30 days before the hearing and no later than 10 days before the hearing

Tip – Create a budget calendar either using guidance from TAC's calendar or one a used in prior years that worked

ADOPTION OF THE BUDGET – 111.009

At the conclusion of the public hearing, the Commissioners Court shall take action on the Proposed Budget

- Some counties take this to mean adopting the Proposed Budget in the same meeting
- Other counties take this to mean adopting the Proposed Budget at another meeting held in a few weeks
- Court can change the Proposed Budget that was posted with County Clerk prior to adopting the budget
- The vote to adopt the Proposed Budget must be recorded as to how each court member voted
- The Adopted Budget is filed with the County Clerk
- The Adopted Budget is posted on the web
- A copy of the Record Vote is posted on the website

LEVY OF TAXES – 111.010

- Commissioners Court may only levy taxes in accordance with the budget (as shown in the budget)
- Commissioners Court may amend the budget to transfer amounts from one budgeted item to another without having to authorize an emergency expenditure throughout the budget year
- Commissioners Court may only spend county funds in strict compliance with the budget
 - Except in an emergency
 - Grave public necessity
 - Unusual and unforeseen circumstances
 - Must formally amend and file the amended budget with County Clerk

SPECIAL BUDGETS

- SPECIAL BUDGET FOR GRANT OR AID MONEY – 111.0106
- SPECIAL BUDGET FOR INTERGOVERNMENTAL CONTRACTS – 111.0107
- SPECIAL BUDGET FOR REVENUE (UNEXPECTED) RECEIVED AFTER START OF FISCAL YEAR – 111.0108

Tip - Not typically referring to revenue that was underbudgeted in the original budget process

These revenue sources are NEW and NOT ANTICIPATED WHEN ORIGINAL BUDGET FILED

Auditor will certify the revenue was received and the court will budget the revenue and expenditures for a purpose

RESERVE ITEMS – 111.014

- A county may establish a Reserve Item or Contingency in the budget
- A Contingency Item must be included in the itemized budget (just like a regular expenditure)
- Expenditures are not charged to contingency funds
- Contingency funds are moved from the Contingency Line Item to the Expenditure Lines
- Using Contingency adjustments helps keep the original budget intact rather than shuffling expenses
- Transfers between Expenditure Lines must be authorized in court which adds oversight

Tip - Budgeting a contingency is a sound practice which allows for unforeseen expenditures to be accommodated and provides flexibility. Contingencies are not a substitute for detailed sound budgeting. Contingencies from reserves/rev

COUNTY AUDITOR BUDGET – 111.013

- Approved by District Judge
- Only requires approval by Commissioners Court if expenses or an assistant auditor's salary increases > than 5%
- The 5% increase doesn't include the addition of staff or the Auditor's salary
- Auditor's salary is set by District Judge (Judges) in a Public Hearing
- Once set by District Judge the order is filed in District Court
- Once filed the order is certified to Commissioners Court for their observance (not a vote or acceptance)
- Auditor's salary may be equal to, but not be greater than the compensation and allowances of the highest paid elected county official, not including the judge of a statutory court (County Court at Law Judge)

BUDGET PREPARATION

- Every County Auditor is different
- Every county judge is different
- Every county commissioner court is different
- Each county is different
- County Judge with assistance from County Auditor prepare the budgets
- Commissioners court adopts the budgets

COUNTY AUDITOR RESPONSIBILITY

- Assist the County Judge as required
- Provide certified revenue estimates for all revenue accounts for each Fund
- Estimate fund balance (reserves) for all Accounting Funds
- Certify revenue from grants & intergovernmental contracts
- Provide financial data necessary to complete the budget
- Open appropriation account for each item per budget
- Ensure all encumbrances are properly charged (purchase orders)
- Make reports on the condition of all accounts to the court on a periodic basis
- Strictly enforces the budget

OTHER TASKS

- Compile financial data
- Perform analysis
- Calculate payroll benefits
- Enter budget information into financial system
- Prepare final budgets for filing
- Create worksheets
- Whatever it takes to get it done!

Tip – The better the budget, the easier it is to enforce

ESTIMATING REVENUES

- Either in the financial system, budgeting software or on a spreadsheet
- Pull several years of comparative data to analyze (we use at least three years)
- Pull current year revenue to date
- Estimate current year's revenue through the end of the year
- Analyze actual revenue received to budgeted revenues for current year (did we get close)
- Forecast the revenues for next year
- Go line by line for your revenue items
- Estimate revenue fund by fund

Things to consider –

- Economy – any anticipated changes
- Activities that generate fees
- Property tax valuations
- Abatements
- Interest rates
- Grants
- New interlocal agreements
- Supplements from the State

Tip – Be conservative in your estimates. It is much better to receive more than less than was budgeted!

ESTIMATING EXPENDITURES

- Repeat the steps listed above for all expenditures

Things to consider –

- Economy – any anticipated changes
- Increased costs
- Employee benefits
- Personnel additions
- Insurance increases
- Contracts and agreements
- Fuel prices
- Road materials
- Facilities repairs
- Capital projects

Tip – Budget expenditures as close to prior year averages and actuals rather than overbudgeting. Use a budgeted contingency to take care of unexpected variances. It works and is much more transparent than over estimating expenditures each year. Court action is required to use contingency to cover shortfalls thus making it safe.

IN PRACTICE

- Communicate with County Judge and Commissioners to understand expectations
 - Pay and benefit increases / decreases
 - Personnel additions / deletions
 - Capital expenditure requirements / list these expenditures to keep everyone on track
- Create a plan for working with your County Judge and Commissioners
 - Prepare a budget calendar – County Judge / County Judge staff / Auditor can all do this (CJ does ours)
 - Prepare budget worksheets and distribute – We pull the data and County Judge distributes
 - Hold meetings with Elected Officials and Department Heads to get input – CJ does in Erath
 - Accumulate or prepare data in the budget or financial system – Auditor
 - Hold budget workshops with the Court – Everyone!

Tip – During workshops we use a projector on a big screen instead of printing and distributing. This keeps everyone on the “same page” is very transparent and saves a bunch of printing. It works well!

FINAL THOUGHTS

- Break it down into small pieces
 - Fund by fund
 - Revenue / Expenditures
 - Department by department
- Start communicating and preparing early
- Compare to the prior year – Gives reassurance you aren’t missing something
- Consider anything that may be changing
- Budget most of the Special Fund Reserves (We put them into the contingency so they are available every year)
- You can do this!

RESOURCES

Local Government Code Chapter 111

Local Government Code Chapter 152

Texas Tax Code Chapter 26

Truth In Taxation – TNT <https://www.texas.gov/living-in-texas/property-tax-transparency/>

County Budgets Online

Texas Constitution & Statutes / Justia / FindLaw

Other Texas County Auditors auditor@co.erath.tx.us

